

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 EA-11 EUR-25 AGR-20 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-02 PA-03 PRS-01 USIA-12 IGA-02

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R 261215 Z JUN 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5193

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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DEPT PASS TREASURY

E. O. 11652: N/ A

TAGS: EFIN, IN

SUBJECT: AID- INDIA CONSORTIUM- INDIAN PRESS REACTION

BEGIN SUMMARY: AID- INDIA CONSORTIUM MEETING HELD IN PARIS, JUNE 14-15 WAS SUBJECT OF WIDESPREAD INDIAN PRESS REPORTING IN THE DAYS IMMEDIATELY FOLLOWING AND SUBSEQUENTLY IN JUNE 24 DAILIES FOLLOWING A PRESS BRIEFING ON JUNE 23 BY CHAIRMAN OF THE INDIAN DELEGATION, M. G. KAUL. STORIES REFLECT GENERAL SATISFACTION WITH OUTCOME OF CONSORTIUM MEETING AND GENERAL APPRECIATION OF US ROLE (EVEN INCLUDING LEFT- WING PATRIOT). EDITORIALS URGED GOI TO EMPHASIZE DEBT RESCHEDULING, EXPORT PROMOTION, PUTTING ITS OWN ECONOMIC HOUSE IN ORDER AND INITIATING A BROAD- BASED REVIEW OF ECONOMIC RELATIONS WITH THE US. END SUMMARY.

1. KAUL, IN PRESS BRIEFING ON JUNE 23, SAID THAT ACTUAL COMMITMENTS
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MADE BY DONOR MEMBERS AT CONSORTIUM MEETING CAME TO \$1.1 BILLION FOR IFY 1973/74, AND THAT THIS WAS CLOSE TO IBRD' S RECOMMENDED TARGET OF \$1.2 BILLION. ACTUAL DISBURSEMENTS EXPECTED TO BE AROUND \$980 MILLION AND AMOUNT OF NET AID TO BE ABOUT \$260 MILLION. DIS-

BURSEMENTS INCLUDE \$87.6 MILLION IN RECENTLY UNFROZEN US AID.

2. KAUL SAID THAT AID DONORS HAD SHOWN A SYMPATHETIC UNDERSTANDING OF INDIA' S PROBLEMS AND HAD RECOGNIZED THAT NON- PROJECT ASSISTANCE WAS A USEFUL WAY OF EASING INDIA' S BALANCE- OF- PAYMENTS STRAINS. SOME NEWSPAPERS INTERPRETED KAUL' S REMARKS TO MEAN THAT CONSORTIUM MAY EXTEND SUPPLEMENTARY ASSISTANCE OVER AND ABOVE \$1.1 BILLION FIGURE, ALTHOUGH KAUL IS REPORTED TO HAVE CAUTIONED THAT " NOTHING SPECIFIC WAS MENTIONED ON THE SUBJECT" (ECONOMIC TIMES, JUNE 24). KAUL SAID THAT FOREIGN EXCHANGE SITUATION WOULD REQUIRE " CAREFUL HANDLING" AND NOTED THAT DONORS HAD EXPRESSED THE HOPE THAT GOI WOULD IMPROVE INVESTMENT CLIMATE THROUGH SUCH STEPS AS MORE FLEXIBLE LICENSING POLICIES. THIS WOULD CONTRIBUTE TO CONDITIONS FOR SUSTAINED RAPID INDUSTRIAL GROWTH.

3. KAUL INDICATED THAT ALL MEMBERS OF THE CONSORTIUM EXCEPT THE US HAD EITHER MADE COMMITMENTS OR GIVEN INDICATIONS OF THEIR LIKELY QUANTUM OF AID AT THE MEETING, ALTHOUGH HE DECLINED TO PROVIDE A COUNTRY- BY- COUNTRY BREAKDOWN. HE SAID THAT IDA WOULD BE COMMITTING APPROXIMATELY \$500 MILLION.

4. KAUL SAID THAT US COMMITMENT OF NEW AID WOULD NOT BE KNOWN UNTIL THE US CONGRESS HAS COMPLETED HEARINGS ON THE USAID BILL FOR US FY 1974. ONLY ONE PAPER NOTED PARENTHETICALLY THAT THE US ADMINISTRATION HAD REQUESTED \$75 MILLION FOR INDIA IN ITS 1974 AID REQUEST. KAUL REPORTED TO HAVE DESCRIBED US ATTITUDE AT MEETING AS " VERY FRIENDLY" OR AS " FRIENDLY AND SYMPATHETIC" AND TO HAVE STATED THAT US WOULD TAKE PART IN 1973/74 DEBT RELIEF EXERCISE.

5. JUNE 16 EDITIONS OF ECONOMIC TIMES AND FINANCIAL EXPRESS CARRIED VIRTUALLY IDENTICAL ARTICLES TO EFFECT THAT US HAD MADE NO COMMITMENT AT CONSORTIUM MEETING BUT HAD INDICATED IT WAS WILLING TO DISCUSS AID REQUIREMENTS BILATERALLY. ARTICLES SAID THAT US FEELS INDIA LOOKS AT AID FROM WASHINGTON AS " INCURSIVE" (MACDONALD HAD USED THE WORD " INTRUSIVE" IN PRIVATE CONVERSATIONS IN PARIS) AND, AS SUCH, THE US IS NOT IN A POSITION TO INITIATE ANY AID COMMITMENT. ARTICLE CONTINUES THAT " BUT INFORMED SOURCES SAID THE GENERAL AMERICAN ATTITUDE WAS FRIENDLY IN REGARD TO DEBT RELIEF AND QUITE FAVORABLE."

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CAN ATTITUDE WAS FRIENDLY IN REGARD TO DEBT RELIEF AND QUITE FAVORABLE."

6. HINDUSTAN TIMES ARTICLE OF JUNE 19 STATES THAT " THERE IS NO SURPRISE HERE (STORY IS DATED NEW DELHI) OVER THE POSITION TAKEN BY THE US WHICH HAS NOT MADE ANY COMMITMENT, AS THE INDIAN DELEGATION DID NOT GO TO PARIS WITH ANY EXPECTATION ON THIS SCORE. HOWEVER, IF THE US HAD PLEDGED ECONOMIC AID, ITS DECLARATION WOULD HAVE BEEN WELCOME. THE GOVERNMENT' S POLICY OF NOT ASKING FOR US AID REMAINS UNCHANGED."

7. EDITORIAL COMMENT ON CONSORTIUM MEETING. THE STATESMAN OF JUNE

17 NOTED USEFULNESS OF CONSORTIUM ARRANGMENT IN SECURING AID FOR INDIA, STATING THAT IT IS UNLIKELY THAT COUNTRY DONORS WOULD PROVIDE AS MUCH ASSISTANCE TO INDIA ON A STRICTLY BILATERAL BASIS AS THEY DO THROUGH

THE CONSORTIUM. EDITORIAL NOTES THIS IS PARTICULARLY TRUE OF JAPAN. RE DEBT RESCHEDULING, EDITORIAL NOTES THAT " THE AMERICANS, LIKE MOST OTHER DONORS, MAY NOT HAVE PARTICIPATED IN THE DEBT RESCHEDULING EXERCISE BUT FOR WORLD BANK PRESSURE." EDITORIAL CONTINUES " WHAT IS DISTURBING IS THAT THERE IS NO MENTION IN THE PRESS REPORTS FROM PARIS

OF ANY CONSIDERATION OF A FURTHER AND LONG TERM DEBT RELIEF EXERCISE. "

EDITORIAL CONCLUDES, " RATHER THAN SEEKING HIGHER AID LEVELS, INDIA MUST ASK FOR A LARGER DEBT RESCHEDULING EXERCISE THAT COVERS AT LEAST HALF THE FOREIGN EXCHANGE DEBT- SERVICING PAYMENTS." (THIS IMPLIES DEBT RESCHEDULING OF \$350 - \$375 MILLION ANNUALLY.)

8. INDIAN EXPRESS EDITORIAL OF JUNE 18 ALSO NOTED IMPORTANCE OF DEBT RESCHEDULING. EDITORIAL STATES IN PART " THE HELPFUL PART OF THE PROCEEDINGS IS THE COMPARATIVELY FIRMER CONSENSUS OF THE EXTENT OF RESCHEDULING OF DEBT REPAYMENTS." AFTER MENTIONING RECENT AGRICULTURAL SETBACKS IN INDIA, EDITORIAL INDIRECTLY RAISED THE ISSUE OF CONCESSIONAL

FOOD AID FROM THE US. " THIS (IMPACT OF FOOD SHORTAGE ON INDIAN BALANCE- OF- PAYMENTS) IS OF DIRECT RELEVANCE TO THE PROSPECTS OF AID FLOW FROM THE US WHICH IS THE MAIN SOURCE FOR FOODGRAIN IMPORTS BY INDIA." EDITORIAL SAID THAT REPORTED US ATTITUDE THAT INDIA INITIATE DISCUSSIONS ON A RESUMPTION OF US AID " RAISES SOME LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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SENSITIVE PROBLEMS" WHICH EDITORIAL DID NOT ELABORATE UPON.

9. EDITORIAL IN JUNE 18 FINANCIAL EXPRESS NOTES THAT EXPECTED NET AID OF \$260 MILLION IN FY 73/74 FALLS FAR SHORT OF MOF BUDGET ESTIMATE OF RS. 400 CRORES (\$535 MILLION) IN NET AID DURING CURRENT FY. EDITORIAL NOTES THAT SCARCITY OF FOREIGN EXCHANGE WILL BE A MAJOR CONSTRAINT ON INDIA'S DEVELOPMENT REGARDLESS OF THE AMOUNT OF AID RECEIVED, AND THAT THIS CAN BE OVERCOME ONLY IF INDIA GENERATES SUFFICIENT EXPORT SURPLUSES. EDITORIAL CONCLUDES THAT INDIA " SHOULD NOT DEPEND ON THE MAGNANIMITY OF OUR CREDITORS... FOR A SELF-RESPECTING COUNTRY THAT PRETENDS TO MOVE TOWARD ZERO AID, THERE IS NO ESCAPE FROM PUTTING ITS HOUSE IN ORDER."

10. MOTHERLAND (RIGHT- WING NATIONALIST) EDITORIAL TOOK AN EXAGGERATED VIEW OF US IMPORTANCE IN CONSORTIUM BY SAYING THAT " UNLESS HE (INDIAN AMBASSADOR TO WASHINGTON T. N. KAUL) IS ABLE TO PERSUADE WASHINGTON TO LOOSEN ITS PURSE STRINGS, NEW DELHI'S UBIQUITOUS BETTING BOWL WILL BE AS EMPTY AS EVER, THE WORLD BANK NOTWITHSTANDING."

11. ON RELATED MATTER, EDITORIAL IN INDIAN EXPRESS OF JUNE 20 INDICATED REALISM AND CONSTRUCTIVE THRUST ON SUBJECT OF INDO- US ECONOMIC DIALOGUE. EDITORIAL STATES IN PART:

" INDIA, ON ITS PART, IS ANXIOUS TO EXPLORE THE POSSIBILITY OF IMPORTING ESSENTIAL SUPPLIES, AMONG THEM FOODGRAINS, FROM THE USA ON TERMS WHICH WILL NOT BE ONEROUS.....

" WASHINGTON'S POSITION, WHICH APPEARS TO HAVE BEEN MADE QUITE EXPLICIT, IS THAT IT IS FOR INDIA TO TAKE THE INITIATIVE. THE USA, IT IS SUGGESTED, HAS MADE A POSITIVE GESTURE BY LIFTING THE FREEZE ON OLD AID COMMITMENTS AND BY A TOKEN PROVISION FOR NEW AID DURING THE CURRENT YEAR. THE BALL IS THUS PLACED IN INDIA'S COURT.....

" THE ISSUES THAT HAVE ARISEN BETWEEN INDIA AND THE USA CANNOT BE TACKLED PIECEMEAL IN THE FORM OF SEPARATE COMMERCIAL DEALS. AN OVERALL VIEW AND APPROACH HAVE TO BE EVOLVED AND A COMPREHENSIVE DIALOGUE NEEDS TO BE ARRANGED. INDIA SHOULD NOT FEEL SHY OF TAKING THE INITIATIVE FOR SUCH A DIALOGUE.

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